

Report on Review of Interim Financial Information
**Public joint stock company “Interregional Distribution
Grid Company of North-West” and its subsidiaries**
for the three and six months ended 30 June 2019

August 2019

**Report on Review of Interim Financial Information
of Public joint stock company "Interregional Distribution
Grid Company of North-West" and its subsidiaries**

Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Consolidated interim condensed statement of profit or loss and other comprehensive income (unaudited)	5
Consolidated interim condensed statement of financial position (unaudited)	6
Consolidated interim condensed statement of cash flows (unaudited)	7
Consolidated interim condensed statement of changes in equity (unaudited)	9
Notes to the consolidated interim condensed financial statements (unaudited)	
1 Background	10
2 Basis of preparation of consolidated financial statements	11
3 Significant accounting policies	12
4 Measurement of fair values	14
5 Significant subsidiaries	15
6 Information about segments	15
7 Revenue	20
8 Other income	21
9 Other expenses	21
10 Operating expenses	22
11 Finance income and costs	22
12 Income tax	23
13 Property, plant and equipment	24
14 Intangible assets	25
15 Right-of-use assets	25
16 Financial investments	26
17 Trade and other receivables	27
18 Advances given and other assets	27
19 Cash and cash equivalents	28
20 Share capital	28
21 Earnings per share	29
22 Loans and borrowings	29
23 Trade and other payables	30
24 Advances from customers	31
25 Financial risk and capital management	31
26 Capital commitments	32
27 Contingencies	32
28 Related party transactions	33

Report on Review of Interim Financial Information

To the shareholders and Board of Directors of
Public joint stock company
“Interregional Distribution Grid Company of North-West”

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of Public joint stock company “Interregional Distribution Grid Company of North-West” and its subsidiaries, which comprise the consolidated interim condensed statement of financial position as at 30 June 2019, the consolidated interim condensed statement of profit or loss and other comprehensive income for the three and six months then ended, consolidated interim condensed statement of cash flows, consolidated interim condensed statement of changes in equity for the six months then ended, and selected explanatory notes (interim financial information). Management of Public joint stock company “Interregional Distribution Grid Company of North-West” is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Совершенство бизнес,
улучшаем мир

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

A.Y. Grebeniuk
Partner
Ernst & Young LLC

22 August 2019

Details of the entity

Name: Public joint stock company "Interregional Distribution Grid Company of North-West"
Record made in the State Register of Legal Entities on 23 December 2004, State Registration Number 1047855175785.
Address: Russia 196247, St. Petersburg, Constitution square, 3, lit. A.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

PJSC IDGC of North-West
*Consolidated Interim Condensed Statement of Profit or Loss and other comprehensive income
for the three and six months ended 30 June 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)*

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Revenue	7	11,308,600	15,892,345	24,686,459	32,283,431
Operating expenses	10	(10,673,699)	(15,291,094)	(22,315,574)	(30,114,080)
Expected credit losses		(243,650)	(158,108)	(274,341)	(389,744)
Other income	8	125,731	159,518	218,183	446,671
Other expenses	9	(7,425)	(7,141)	(7,425)	(8,715)
Results from operating activities		509,557	595,520	2,307,302	2,217,563
Finance income	11	21,438	22,402	40,964	47,593
Finance costs	11	(363,699)	(301,103)	(711,347)	(672,658)
Total finance income/(costs)		(342,261)	(278,701)	(670,383)	(625,065)
Profit before tax		167,296	316,819	1,636,919	1,592,498
Income tax expense	12	(47,567)	(74,407)	(348,783)	(412,091)
Profit for the period		119,729	242,412	1,288,136	1,180,407
Other comprehensive income					
<i>Items that will never be reclassified subsequently to profit or loss</i>					
Change in the fair value equity investments measured at fair value through other comprehensive income		2,332	(2,439)	2,911	(2,768)
Remeasurement of the defined benefit liability		(101,536)	100,011	(151,273)	28,579
Income tax	12	19,842	(19,514)	29,673	(5,162)
Other comprehensive loss/(income) for the period, net of income tax		(79,362)	78,058	(118,689)	20,649
Total comprehensive income for the period		40,367	320,470	1,169,447	1,201,056
Profit/(loss) attributable to:					
Owners of the Company		119,730	242,418	1,288,144	1,180,420
Non-controlling interest		(1)	(6)	(8)	(13)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		40,368	320,476	1,169,455	1,201,069
Non-controlling interest		(1)	(6)	(8)	(13)
Earnings per share					
Basic earnings per ordinary share (in RUB)	21	0.0012	0.0025	0.0134	0.0123

These Consolidated Interim Condensed Financial Statements were approved by management on 22 August 2019 and were signed on its behalf by:

First Deputy General Director -
Chief Engineer

D.V. Yagodka

Deputy General Director for
Economy and Finance

L.V. Shadrina

Chief Accountant – Head of
Department of accounting and tax
accounting and reporting

I.G. Zhdanova

PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	39,976,108	40,447,544
Intangible assets	14	276,392	268,400
Right-of-use assets	15	658,113	–
Trade and other receivables	17	162,203	10,268
Assets related to employee benefits plans		340,935	370,051
Financial investments	16	528,088	505,219
Deferred tax assets		20,699	29,127
Advances given and other non-current assets	18	328,615	150,123
Total non-current assets		42,291,153	41,780,732
Current assets			
Inventories		1,292,361	858,074
Income tax prepayments		210,456	233,636
Trade and other receivables	17	5,634,022	7,190,078
Advances given and other current assets	18	639,440	949,887
Cash and cash equivalents	19	717,678	151,123
Total current assets		8,493,957	9,382,798
Total assets		50,785,110	51,163,530
EQUITY AND LIABILITIES			
Equity			
Share capital	20	9,578,592	9,578,592
Reserve related to business combination	20	10,457,284	10,457,284
Other reserves		(163,875)	(45,186)
Retained earnings / (accumulated deficit)		260,982	(645,455)
Total equity attributable to owners of the Company		20,132,983	19,345,235
Non-controlling interest		245	253
Total equity		20,133,228	19,345,488
Non-current liabilities			
Loans and borrowings	22	9,016,268	8,517,335
Trade and other payables	23	265,876	246,687
Advances from customers	24	2,055,645	894,930
Employee benefit liabilities		2,126,248	1,912,467
Deferred tax liabilities		1,049,519	949,701
Total non-current liabilities		14,513,556	12,521,120
Current liabilities			
Loans and borrowings	22	6,794,625	7,026,929
Trade and other payables	23	6,398,908	7,766,251
Advances from customers	24	2,435,334	3,805,283
Provisions		509,459	698,268
Current income tax liabilities		–	191
Total current liabilities		16,138,326	19,296,922
Total liabilities		30,651,882	31,818,042
Total equity and liabilities		50,785,110	51,163,530

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		1,288,136	1,180,407
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	10	2,281,040	2,145,779
Finance costs	11	711,346	672,658
Finance income	11	(40,964)	(47,593)
(Gain)/loss on disposal of property, plant and equipment		(6,451)	5,309
Expected credit loss		274,341	389,744
Accounts receivable write-off		785	1,589
Gain from property, plant and equipment received free of charge		(2,707)	(2,433)
Accounts payable write-off		(587)	(1,968)
Change in provisions		(37,749)	(2,648)
Income tax expense	12	348,783	412,091
Total effect of adjustments		4,815,973	4,752,935
Change in financial assets related to employee benefits plans		29,116	13,218
Change in employee benefit liabilities		(18,172)	(88,709)
Cash flows from operating activities before changes in working capital and provisions		4,826,917	4,677,444
<i>Changes in working capital</i>			
Change in trade and other receivables		1,106,856	763,599
Change in advances given and other assets		131,955	(930,576)
Change in inventories		(436,436)	(465,760)
Change in trade and other payables		(1,379,204)	1,172,815
Change in advances from customers		(209,234)	993,952
Other		1,946	2,076
Cash flows from operating activities before income tax and interest paid		4,042,800	6,213,550
Income tax paid		(187,783)	(628,073)
Interest paid under lease agreements		(76,048)	–
Interest paid		(578,915)	(665,191)
Net cash from operating activities		3,200,054	4,920,286

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

PJSC IDGC of North-West

Consolidated Interim Condensed Statement of Cash Flows for the six months ended 30 June 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

	Notes	Six months ended 30 June 2019	Six months ended 30 June 2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(2,223,670)	(4,165,275)
Proceeds from the sale of property, plant and equipment and intangible assets		9,988	177
Interest received		19,951	5,296
Net cash used in investing activities		(2,193 731)	(4,159,802)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	22	10,089,120	30,273,649
Repayment of loans and borrowings	22	(10,527,859)	(31,011,313)
Repayment of lease liabilities		(1,029)	(562)
Net cash used in financing activities		(439,768)	(738,226)
Net increase in cash and cash equivalents		566,555	22,258
Cash and cash equivalents at the year beginning		151,123	84,471
Cash and cash equivalents at the year end	19	717,678	106,729

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

PJSC IDGC of North-West
Consolidated Interim Condensed Statement of Changes in Equity for the six months ended 30 June 2019 (unaudited)
(in thousand of Russian rubles, unless otherwise stated)

Equity attributable to owners of the Company

	Share capital	Reserve related to business combination	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2018	9,578,592	10,457,284	(6,239)	(1,792,510)	18,237,127	322	18,237,449
Profit/(loss) for the period	-	-	-	1,180,420	1,180,420	(13)	1,180,407
Other comprehensive loss	-	-	25,811	-	25,811	-	25,811
Income tax related to other comprehensive loss	-	-	(5,162)	-	(5,162)	-	(5,162)
Total comprehensive income/(loss) for the period	-	-	20,649	1,180,420	1,201,069	(13)	1,201,056
Dividends to shareholders (Note 20)	-	-	-	1,083	1,083	-	1,083
Balance at 30 June 2018	9,578,592	10,457,284	14,410	(611,007)	19,439,279	309	19,439,588

Balance at 1 January 2019	9,578,592	10,457,284	(45,186)	(645,455)	19,345,235	253	19,345,488
Profit/(loss) for the period	-	-	-	1,288,144	1,288,144	(8)	1,288,136
Other comprehensive loss	-	-	(148,362)	-	(148,362)	-	(148,362)
Income tax related to other comprehensive loss	-	-	29,673	-	29,673	-	29,673
Total comprehensive income/(loss) for the period	-	-	(118,689)	1,288,144	1,169,455	(8)	1,169,447
Dividends to shareholders (Note 20)	-	-	-	(381,707)	(381,707)	-	(381,707)
Balance at 30 June 2019	9,578,592	10,457,284	(163,875)	260,982	20,132,983	245	20,133,228

Balance at 1 January 2018
 Profit/(loss) for the period
 Other comprehensive loss
 Income tax related to other comprehensive loss
Total comprehensive income/(loss) for the period
 Dividends to shareholders (Note 20)
Balance at 30 June 2018

Balance at 1 January 2019
 Profit/(loss) for the period
 Other comprehensive loss
 Income tax related to other comprehensive loss
Total comprehensive income/(loss) for the period
 Dividends to shareholders (Note 20)
Balance at 30 June 2019

The accompanying notes are an integral part of these Consolidated Interim Condensed Financial Statements

1 Background

(a) The Group and its operations

The primary activities of PJSC IDGC of North-West and its subsidiaries (hereinafter jointly referred to as the "Group") are provision of services for transmission and distribution of electricity for power grids, as well as provision of services for technological connection of consumers to the network and sale of electricity to end customers in the territory of North-West Region of Russia. The main subsidiaries are listed in Note 5.

The parent company is PJSC "ROSSETI".

The registered office (location) of the Company is Constitution Square 3, lit. "A", room 16N, Saint Petersburg, 196247.

(b) Russian business environment

The Group's operations are located in the Russian Federation.

In Russia, economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy are continuing. The stability of the Russian economy in the future will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the government in the field of economy, financial and monetary policy. The future economic development of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Sanctions imposed on Russia by some countries have a negative impact on the Russian economy. Interest rates in rubles remain high. The combination of these factors has led to a decrease in the availability of capital and an increase in its cost, as well as to increased uncertainty about further economic growth, which may adversely affect the financial position, results of operations and economic prospects of the Group. The management of the Group believes that it is taking appropriate measures to maintain the economic sustainability of the Group in the current environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Relations with state

The Russian Government, through the Federal Agency for the Management of State Property, is the ultimate controlling party of the Group.

As at 30 June 2019, the Russian Government owned 88.04% in the share capital of the parent company PJSC "ROSSETI" including 88.89% of the voting ordinary shares and 7.01% of the preference shares (as at 31 December 2018: 88.04%, including 88.89% of the voting ordinary shares and 7.01% of the preference shares).

The Russian Government directly affects the Group's operations through tariffs regulations. Under Russian law, the Group's tariffs are regulated by the executive authority responsible for tariff regulation in the relevant federal region of Russia. The consumers of the Group's services include large number of enterprises under state control.

On 22 December 2017, the Ministry of Energy of the Russian Federation granted the Company with the status of guaranteeing electric power supplier function in Arkhangelsk region of the service area of PJSC "Arkhangelsk Energy Retail Company" effective from 1 January 2018. The status of guaranteeing electric power supplier was granted until announcing the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.

1 Background (continued)

(c) Relations with state (continued)

In accordance with the Order of the Ministry of Energy of 14 September 2018, №763 the status of guaranteeing electric power supplier regarding the area of activity of PJSC "IDGC of the North-West" (Arkhenergo segment) was granted to LLC "TGC-2 Energy" from 01 October 2018.

On 23 March 2018, the Ministry of Energy of the Russian Federation granted the Company with the status of guaranteeing electric power supplier function in Vologda region of the service area of PJSC "Vologda Energy Retail Company" effective from 1 April 2018. The status of guaranteeing electric power supplier was granted until announcing the winner of the tender in respect of specified service areas, but not more than for the period of 12 months.

In accordance with the Order of the Ministry of Energy of 29 November 2018, №1110 the status of guaranteeing electric power supplier regarding the area of activity of PJSC "IDGC of the North-West" (Vologdaenergo segment) was granted LLC "North sales company" from 01 January 2019.

2 Basis of preparation of consolidated financial statements

(a) Statement of compliance

These Consolidated Interim Condensed Financial Statements for the three and six months ended 30 June 2019 have been prepared in accordance with IAS 34, Interim Financial Reporting. They does not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Going Concern

These consolidated interim condensed financial statements have been prepared on the assumption that the Group will continue to operate for the foreseeable future. Despite the working capital deficit, which as at 30 June 2019 amounted to RUB 7,644,369 thousand (as at 31 December 2018: RUB 9,914,124 thousand), the Group has positive cash flow from operating activities, which amounted to RUB 3,200,054 thousand for six months ended 30 June 2019 (for six months ended 30 June 2018: RUB 4,920,286 thousand), and unused credit lines, of which as at 30 June 2019 amounted to RUB 26,305,699 thousand (31 December 2018: RUB 18,680,086 thousand), which confirms the validity of the going concern assumption.

(c) Use of professional judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make a number of professional judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as of and for the year ended 31 December 2018 except for estimates and assumptions used in connection with the adoption of IFRS 16 "Leases" (Note 3 (a)).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2 Basis of preparation of consolidated financial statements (continued)

(d) Change in presentation

Reclassification of comparatives

The Group changed presentation of certain items in the comparative financial statements to comply with the current period presentation. The format of reporting was changed for the purpose of better transparency and information comparability:

- Non-current and current advances to customers (contract liabilities) previously disclosed in the note "Trade and other payables" are shown separately in the consolidated interim condensed statement of financial position;
- Non-current and current advances given and other non-financial assets previously disclosed in the note "Trade and other receivables" are shown separately as "Advances given and other non-current assets", "Advances given and other current assets" in the consolidated interim condensed statement of financial position;
- Rental income previously disclosed as part of other revenue in the note "Revenue" is allocated to a separate line;
- Expected credit losses previously disclosed within "Operating expenses" is set out as a separate item in the consolidated interim condensed statement of profit or loss and other comprehensive income;
- Other income and other expenses previously disclosed within "Other income, net" are allocated to separate items in the consolidated interim condensed statement of profit or loss and other comprehensive income.

3 Significant accounting policies

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16 "Leases" as of 1 January 2019 as described below.

(a) IFRS 16 "Leases"

The new IFRS 16 "Leases", issued in 2016, replaces IAS 17 "Leases", as well as the corresponding interpretations of the provisions of IFRS concerning leases; abolishing the classification of leases into operating and financial, the standard is a single guide to lessee accounting.

A contract, or part of a contract is a lease if the contract conveys the right to use of the identified asset for a certain period in exchange for consideration.

The right-of-use assets are initially measured at cost and depreciated to the earlier of the useful lives of the right-of-use assets or the end of the lease term. The initial cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made before or at the commencement of the lease, and initial direct costs. After recognition, the right-to-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. The right-to-use assets are presented in the statement of financial position as a separate item.

Obligation under the lease shall be measured initially at the present value of the lease payments that have not yet been paid on inception of the lease and subsequently measured at amortized cost with interest on the lease liability being recognized in the Finance costs in the consolidated statement of profit and loss. Lease liabilities are presented in the Statement of financial position under Loans and borrowings (long-term and short-term).

The election for leases for which the underlying asset is of low-value can be made on a lease-by-lease basis. Lease payments under such contract will be recognized as an expense on a straight-line basis over the lease term.

3 Significant accounting policies (continued)

The Group defines lease term as a non - cancellable period during which the Group is entitled to use the underlying assets, together with the:

- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term, the Group considers the following factors:

- whether the underlying asset is a specialized;
- location of the asset;
- the presence of the Group and the lessor's practical ability to select an alternative contractor (for the selection of alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- the presence of significant improvements to the leased facilities.

The main objects of the Group's leases are power grid facilities (power transmission networks, power transmission equipment, etc.) and land plots. The Group also leases non-residential real estate and vehicles.

For lease agreements of land plots under power grid facilities with an indefinite term, or with a term under the contract not exceeding 1 year with the possibility of annual prolongation, the Group determines the term of the contract, using as a basic criterion the useful life of fixed assets located on leased land plots.

For lease contracts of power grid facilities with an indefinite term or with a term under the contract of not more than 1 year with the possibility of annual prolongation, the Group determines the term of the contract, using as a basic criterion the useful life of its own fixed assets with similar technical characteristics.

The Group adopted a modified retrospective approach whereby the cumulative effect of the initial application of the standard is recognized as at the date of initial application, 1 January 2019. The weighted average incremental borrowings rate applied to lease liabilities recognized in the statement of financial position at the date of initial application was 8.55%.

The Group has also used permitted practical expedient and has not applied the new standard to leases that expire within twelve months of the date of transition.

The effect of the initial application of IFRS 16 leases had the following impact on the Group's assets and liabilities:

	1 January 2019
Assets	
Right-of-use assets	702,738
Trade and other receivables	(7,911)
Liabilities	
Long-term lease liabilities	572,404
Short-term lease liabilities	142,239
Trade and other payables	(19,815)

Reconciliation between the contractual obligations under operating leases, disclosed in accordance with IAS 17 on 31 December 2018 and the lease liabilities recognized in the statement of financial position on 1 January 2019 in accordance with IFRS 16 "Leases":

	1 January 2019
Operating lease liabilities as at 31 December 2018, disclosed in consolidated financial statements	1,546,423
Options for renewal /termination of leases for which there is sufficient confidence	152,390
Exemption for the recognition of short-term leases	(6,116)
Discounting effect	(978,054)
Finance lease liabilities recognized as at 31 December 2018	22,335
Lease liabilities recognized as at 1 January 2019	736,978

3 Significant accounting policies (continued)

(b) Other standards and interpretations

Except for the changes in accounting policies described in section 3 (a), the following amendments and clarifications, effective 1 January 2019, have no effect on these consolidated interim condensed financial statements:

- Clarification of the IFRIC 23 "Uncertainty concerning the rules of calculating tax on the profit";
- Amendments to IFRS 9, "Conditions on early repayment with potential negative reimbursement";
- Amendments to IFRS 3 "Business Enterprises";
- Amendments to IFRS 11 "Joint enterprise";
- Amendments to IAS 12 "Income Taxes" - Tax consequences of payments on financial instruments classified as equity;
- Amendments to IAS 23 "Expenses on borrowing";
- Amendments to IAS 28 "Long-term investments in associates and joint ventures";
- Amendments to IAS 19 "Changes in the program, reducing the program or repayment program".

The following new standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2020 and have not been early adopted by the Group:

- IFRS 17 "Insurance Contracts";
- Amendments to IFRS 3 "Business Enterprises" – "Definition of a business";
- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors".

In March 2018, the IASB issued a new version of the Conceptual framework for financial reporting. The new version shall enter into force for mandatory application starting from the annual periods after 1 January 2020.

The Group is currently analyzing the impact of the revised Conceptual framework and new standards and interpretations on the consolidated financial statements.

4 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

Fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that a transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The Group must have access to the principal or most advantageous market.

The fair value of an asset or liability is measured using assumptions that would be used by market participants to determine the price of the asset or liability, if market participants are acting in their best economic interests.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4 Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For the purposes of fair value disclosure, the Group classified assets and liabilities based on their nature, characteristics and risks, and the applicable level in the fair value hierarchy, as set out above.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair value of financial instruments that are measured at fair value or the fair value of which is to be disclosed in the financial statements is disclosed in the Note 25.

5 Significant subsidiaries

	Country of incorporation	30 June 2019 Ownership/voting shares, %	31 December 2018 Ownership/voting shares, %
JSC Pskovenergosbyt	Russian Federation	100	100
JSC Pskovenergoagent	Russian Federation	100	100
JSC Energoservice North-West	Russian Federation	100	100
OJSC Lesnaya Skazka	Russian Federation	98*	98*

* Non-controlling interest of subsidiary OJSC Lesnaya skazka is not significant (2%) that is why it is not disclosed in these consolidated financial statements.

During the extraordinary General meeting of shareholders of OJSC Lesnaya Skazka from 22 of May 2019, it was decided to liquidate OJSC "Lesnaya skazka". The liquidation process is expected to be completed no more than 12 months after the decision. Management believes that this event does not have a material impact on these consolidated financial statements.

6 Information about segments

The Management Board of PJSC IDGC of North-West has been determined as the chief operating decision maker.

The Group's primary activity is the provision of services for electricity transmission and distribution, technological connection to electricity grids and sale of electricity to end customers in the territory of North-West Region of the Russian Federation.

The internal management reporting system is based on segments (branches formed on a territorial basis) related to transmission and distribution of electricity, technological connection to electricity grids and sale of electricity to end customers in the territory of North-West Region of the Russian Federation.

Revenue indicators, EBITDA are used to reflect the performance of each reportable segment, since they are included in internal management reporting prepared on the basis of RAS reporting data and are regularly analyzed and evaluated by the Management Board. EBITDA is calculated as profit or loss before interest expenses, taxation and depreciation and amortization. The Management Board believes that these indicators are most relevant when assessing the performance of certain segments in relation to other segments and other companies that operate in these industries.

6 Information about segments (continued)

In accordance with the requirements of IFRS 8 the following reportable segments were identified based on segment revenue, EBITDA and the total assets reported to the Management Board:

- Electricity Transmission Segments – Arkhenergo, Vologdaenergo, Karelenergo, Kolenergo, Komienenergo, Novgorodenergo and Pskovenergo;
- Energy Retail Segment – Pskovenergosbyt, (for the three and six months ended 30 June 2018: Pskovenergosbyt, Arkhenergo, Vologdaenergo);
- Other Segments – other Group companies.

Unallocated items comprise corporate balances of the Company's headquarters, which do not constitute an operating segment under IFRS 8 requirements.

Segment items are based on financial information reported in statutory accounts and can differ significantly from those used in the consolidated financial statements prepared under IFRSs. The reconciliation of reportable segment measurements reported to the Management Board with the similar items in these consolidated financial statements includes those reclassifications and adjustments that are necessary for the financial statements to be presented in accordance with IFRS.

(i) **Information about reportable segments**

For the three months ended 30 June 2019:

	Electricity Transmission					Energy Retail					Total		
	Arkhe- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energosbyt		Other	Unallocated items
Revenue from external customers	1,260,611	1,684,141	1,702,543	1,898,056	1,629,089	1,098,173	242,168	—	—	1,790,224	3,595	—	11,308,600
Inter-segment revenue	—	—	13	—	—	1	829,528	—	—	110,026	84,114	—	1,023,682
Segment revenue	1,260,611	1,684,141	1,702,556	1,898,056	1,629,089	1,098,174	1,071,696	—	—	1,900,250	87,709	—	12,332,282
Including													
<i>Electricity transmission</i>	1,181,803	1,642,048	1,648,167	1,729,862	1,601,629	1,081,439	1,007,589	—	—	—	—	—	9,892,537
<i>Connection services</i>	4,279	6,584	13,471	162,513	12,738	1,495	4,502	—	—	—	—	—	205,582
<i>Resale of electricity</i>	—	—	—	—	—	—	—	—	—	1,899,939	—	—	1,899,939
<i>Other revenue</i>	70,400	24,317	3,081	4,195	9,705	13,486	53,954	—	—	311	87,562	—	267,011
<i>Rental income</i>	4,129	11,192	37,837	1,486	5,017	1,754	5,651	—	—	—	147	—	67,213
EBITDA	80,908	391,167	363,845	222,007	271,037	219,878	159,076	—	—	46,959	1,856	2,543	1,759,276

For the three months ended 30 June 2018:

	Electricity Transmission					Energy Retail					Total		
	Arkhe- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- Energo	Novgorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energosbyt		Other	Unallocated items
Revenue from external customers	893,069	1,314,039	1,589,960	1,771,802	1,797,492	1,135,187	210,626	2,715,794	2,849,139	1,612,049	3,188	—	15,892,345
Inter-segment revenue	—	—	13	—	—	1	777,561	—	—	92,473	80,335	—	950,383
Segment revenue	893,069	1,314,039	1,589,973	1,771,802	1,797,492	1,135,188	988,187	2,715,794	2,849,139	1,704,522	83,523	—	16,842,728
Including													
<i>Electricity transmission</i>	870,445	1,293,490	1,544,555	1,761,037	1,719,219	1,069,698	973,305	—	—	—	—	—	9,231,749
<i>Connection services</i>	6,349	6,671	3,408	5,822	65,381	2,805	4,011	—	—	—	—	—	94,447
<i>Resale of electricity</i>	—	—	—	—	—	—	—	2,715,794	2,849,139	1,615,613	—	—	7,180,546
<i>Other revenue</i>	12,799	10,814	4,234	3,673	7,677	60,948	5,175	—	—	88,909	83,522	—	277,752
<i>Rental income</i>	3,476	3,064	37,776	1,270	5,215	1,737	5,696	—	—	—	—	—	58,234
EBITDA	366,233	353,866	223,583	168,668	319,496	199,317	108,559	(119,224)	—	11,738	7,049	2,129	1,641,414

For the six months ended 30 June 2019:

	Electricity Transmission					Energy Retail							
	Arkhe- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energosbyt	Other	Unallocated items	Total
Revenue from external customers	2,909,846	3,699,991	3,689,182	4,078,696	3,567,194	2,342,015	465,066	-	-	3,929,143	5,326	-	24,686,459
Inter-segment revenue	-	-	26	-	-	3	1,853,317	-	-	341,976	172,376	-	2,367,698
Segment revenue	2,909,846	3,699,991	3,689,208	4,078,696	3,567,194	2,342,018	2,318,383	-	-	4,271,119	177,702	-	27,054,157
Including													
<i>Electricity transmission</i>	2,717,748	3,626,397	3,589,173	3,903,235	3,519,643	2,313,402	2,235,379	-	-	-	-	-	21,904,977
<i>Connection services</i>	19,696	9,154	19,352	163,123	21,630	4,202	15,062	-	-	-	-	-	252,219
<i>Resale of electricity</i>	-	-	-	-	-	-	-	-	-	4,270,588	-	-	4,270,588
<i>Other revenue</i>	165,069	35,449	5,023	9,399	15,924	20,871	56,652	-	-	531	177,434	-	486,352
<i>Rental income</i>	7,333	28,991	75,660	2,939	9,997	3,543	11,290	-	-	-	268	-	140,021
EBITDA	591,120	1,093,141	817,860	587,648	709,661	408,481	380,232	-	-	71,092	1,357	5,286	4,665,878

For the six months ended 30 June 2018:

	Electricity Transmission					Energy Retail							
	Arkhe- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Novgorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energosbyt	Other	Unallocated items	Total
Revenue from external customers	2,029,225	3,223,942	3,642,033	3,962,590	3,868,351	2,388,818	470,308	6,216,896	2,849,139	3,627,906	4,223	-	32,283,431
Inter-segment revenue	-	-	26	-	-	3	1,773,501	-	-	302,015	167,415	-	2,242,960
Segment revenue	2,029,225	3,223,942	3,642,059	3,962,590	3,868,351	2,388,821	2,243,809	6,216,896	2,849,139	3,929,921	171,638	-	34,526,391
Including													
<i>Electricity transmission</i>	1,958,816	3,174,441	3,551,839	3,944,894	3,763,900	2,308,917	2,216,453	-	-	-	-	-	20,919,260
<i>Connection services</i>	39,950	16,017	6,331	6,804	78,854	7,916	9,572	-	-	-	-	-	165,444
<i>Resale of electricity</i>	-	-	-	-	-	-	-	-	-	3,646,852	-	-	12,712,887
<i>Other revenue</i>	22,876	27,344	8,349	8,401	15,434	68,609	6,393	6,216,896	2,849,139	283,069	171,639	-	612,114
<i>Rental income</i>	7,583	6,140	75,540	2,491	10,163	3,379	11,391	-	-	-	-	-	116,686
EBITDA	1,006,337	709,016	376,534	600,226	769,451	466,211	357,575	(27,321)	-	27,260	2,693	3,824	4,291,805

As at 30 June 2019:

	Electricity Transmission						Energy Retail				Total		
	Arkh- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Noygorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energo		Other energo	Unallocated items
Segment assets	5,980,524	10,060,640	4,799,301	5,398,336	13,596,693	7,339,868	5,184,102	147,179	110,510	994,510	74,512	2,822,079	56,508,254
<i>Including property, plant and equipment and construction in progress</i>	4,356,440	8,678,852	3,647,061	4,385,334	12,337,110	6,365,719	4,550,223	–	–	1,413	17,381	34,158	44,373,691

As at 31 December 2018:

	Electricity Transmission						Energy Retail				Total		
	Arkh- energo	Vologda- energo	Karel- energo	Kol- energo	Komi- energo	Noygorod- energo	Pskov- energo	Arkh- energo	Vologda- energo	Pskov- energo		Other energo	Unallocated items
Segment assets	5,811,562	10,605,344	4,658,672	5,477,091	13,798,251	7,347,539	5,161,504	355,067	966,394	999,692	67,769	2,236,076	57,484,961
<i>Including property, plant and equipment and construction in progress</i>	4,374,908	9,031,519	3,710,568	4,312,094	12,545,450	6,408,287	4,598,487	–	–	45	16,240	38,739	45,036,337

6 Information about segments (continued)

(ii) Reconciliation of reportable segment EBITDA

Reconciliation of reportable segment EBITDA is presented below:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
EBITDA of reportable segments	1,759,276	1,641,414	4,665,878	4,291,805
Discounting of receivables	(29,987)	102	(29,882)	436
Adjustment for expected credit loss	(155,447)	1,350	(206,945)	2,686
Adjustment for lease	36,463	918	73,168	1,837
Recognition of pension and other long-term employee benefit obligation	(38,213)	(49,248)	(62,508)	(13,217)
Adjustment for assets related to employee benefits	(8,723)	38,948	(29,115)	13,611
Adjustment for available-for-sale financial assets	(2,332)	2,458	(2,911)	2,830
Adjustment for value of property, plant and equipment	8,030	(1,659)	7,814	(2,056)
Other adjustments	35,403	20,338	102,894	37,437
EBITDA	1,604,470	1,654,621	4,518,393	4,335,369
Depreciation and amortization	(1,143,440)	(1,072,977)	(2,281,040)	(2,145,779)
Interest expenses on financial liabilities at amortized cost	(264,642)	(264,202)	(539,450)	(595,817)
Interest expenses on lease liabilities	(29,092)	(623)	(60,984)	(1,275)
Income tax expense	(47,567)	(74,407)	(348,783)	(412,091)
Profit for the period per consolidated interim condensed statement of profit or loss and other comprehensive income	119,729	242,412	1,288,136	1,180,407

7 Revenue

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Electricity transmission	9,064,798	8,456,439	20,055,064	19,149,354
Sales of electricity and capacity	1,789,913	7,173,741	3,928,612	12,684,846
Technological connection services	205,582	94,446	252,219	165,443
Other revenue	182,577	110,813	313,287	169,756
	11,242,870	15,835,439	24,549,182	32,169,399
Rental income	65,730	56,906	137,277	114,032
	11,308,600	15,892,345	24,686,459	32,283,431

7 Revenue (continued)

Other revenues are mainly comprised of revenue from services for repair and maintenance of electricity network equipment.

Part of the revenue from the sale of electricity and capacity for the three and six months ended 30 June 2018 includes proceeds from the sale of electricity of RUB 5,564,933 thousand and RUB 9,066,035 thousand, respectively, obtained as a result of assigning the status of guaranteeing supplier in the Arkhangelsk and Vologda regions (Note 1 (c)). From 1 October 2018 and 1 January 2019 respectively, the Group ceased to perform the function of a guaranteeing electric power supplier in the above areas as mentioned in note 1(c).

8 Other income

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Income from identified non-contracted electricity consumption	353	18,539	12,545	29,901
Income in the form of fines and penalties on commercial contracts	118,985	131,868	187,192	398,614
Insurance reimbursement, net	878	4,006	1,553	6,929
Accounts payable write-off	428	635	587	1,968
Gain from property, plant and equipment and inventories received free of charge	930	1,567	2,707	2,433
Gain on disposal of property, plant and equipment	1,316	–	6,451	–
Other income	2,841	2,903	7,148	6,826
	125,731	159,518	218,183	446,671

9 Other expenses

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Loss on disposal of property, plant and equipment	–	3,935	–	5,309
Other expenses	7,425	3,206	7,425	3,406
	7,425	7,141	7,425	8,715

10 Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Personnel costs	3,255,787	3,317,819	6,602,896	6,747,595
Depreciation and amortization	1,143,440	1,072,977	2,281,040	2,145,779
<i>Material expenses, including:</i>				
Electricity for compensation of losses	773,168	697,967	2,134,783	2,285,300
Electricity for sale	978,782	4,424,390	2,235,653	7,738,626
Purchased electricity and heat power for own needs	44,060	45,452	156,654	160,928
Other material costs	602,236	649,754	1,073,771	1,141,896
<i>Production work and services, including:</i>				
Electricity transmission services	2,929,450	3,898,708	6,236,401	7,705,243
Repair and maintenance services	240,125	253,407	325,655	398,169
Other production works and services	66,684	46,151	93,253	70,677
Taxes and charges other than income tax	104,985	174,310	210,662	349,823
Rent	6,522	73,756	12,486	185,852
Insurance	14,695	15,879	30,017	31,400
<i>Other third-party services, including:</i>				
Communication services	33,405	44,905	68,194	78,435
Security services	78,312	64,853	148,070	128,721
Consulting, legal and audit services	11,136	9,067	16,275	40,123
Software costs and servicing	14,527	13,840	31,307	29,099
Transportation services	32,210	42,618	71,269	85,226
Other services	167,673	179,508	269,609	277,775
Provisions	(26,779)	–	(39,883)	(5,133)
Other expenses	203,281	265,733	357,462	518,546
	10,673,699	15,291,094	22,315,574	30,114,080

11 Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
<i>Finance income</i>				
Interest income on loans, bank deposits, promissory notes and balances in bank accounts	10,458	12,297	19,951	28,113
Unwind of discount on financial assets measured at amortised cost	10,104	9,144	19,959	18,062
Dividends receivable	706	536	706	536
Amortization of discount on financial assets	170	425	348	882
	21,438	22,402	40,964	47,593
<i>Finance costs</i>				
Interest expenses on financial liabilities measured at amortized cost	(264,642)	(264,202)	(539,450)	(595,817)
Interest expenses on lease liabilities	(29,092)	(623)	(60,984)	(1,275)
Interest expenses on long-term employee benefit obligation	(39,806)	(35,943)	(80,680)	(75,098)
Effect from initial discounting of financial assets	(30,158)	(335)	(30,232)	(468)
	(363,698)	(301,103)	(711,346)	(672,658)

12 Income tax

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Current income tax				
Current tax	20,696	171,393	236,827	425,408
Adjustment of tax for previous periods	93	138	93	150
Total	20,789	171,531	236,920	425,558
Deferred income tax	26,778	(97,124)	111,863	(13,467)
Income tax expense	47,567	74,407	348,783	412,091

Income tax rate officially established by Russian legislation in 2019 and 2018 was 20%.

Income tax expense is recognized based on management's best estimate of the weighted average expected income tax rate for the full financial year at the reporting date.

Profit before tax is related to income tax expense as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 года	2018 года	2019 года	2018 года
Profit before tax	167,296	316,819	1,636,919	1,592,498
Income tax at the applicable tax rate	33,459	63,364	327,384	318,500
Tax effect on not taxable or non-deductible for tax purposes items	14,015	10,905	21,306	93,441
Adjustments for prior years	93	138	93	150
	47,567	74,407	348,783	412,091

Income tax recognized in other comprehensive income:

	Three months ended 30 June 2019			Six months ended 30 June 2019		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	2,332	(466)	1,865	2,911	(582)	2,329
Remeasurements of the defined benefit liability	(101,536)	20,308	(81,228)	(151,273)	30,255	(121,018)
	(99,204)	19,842	(79,362)	(148,362)	29,673	(118,689)
	Three months ended 30 June 2018			Six months ended 30 June 2018		
	Before tax	Income tax	Net of tax	Before tax	Income tax	Net of tax
Financial assets measured at fair value through other comprehensive income	(2,439)	488	(1,951)	(2,768)	554	(2,214)
Remeasurements of the defined benefit liability	100,011	(20,002)	80,009	28,579	(5,716)	22,863
	97,572	(19,514)	78,058	25,811	(5,162)	20,649

13 Property, plant and equipment

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Cost/Deemed cost</i>						
At 1 January 2018	8,093,551	34,321,494	19,426,865	8,897,815	2,503,125	73,242,850
Reclassification between groups	(845)	(731)	156	1,420	–	–
Additions	–	–	–	–	3,439,527	3,439,527
Transfer	12,266	526,801	158,022	377,885	(1,074,974)	–
Disposals	(2,728)	(1,999)	(6,268)	(10,830)	(65,610)	(87,435)
At 30 June 2018	8,102,244	34,845,565	19,578,775	9,266,290	4,802,068	76,594,942
<i>Accumulated depreciation and impairment</i>						
At 1 January 2018						
Reclassification between groups	(3,169,387)	(19,057,560)	(8,187,611)	(5,501,647)	(58,826)	(35,975,031)
Transfer of impairment losses upon commissioning assets into operation	5	722	(89)	(638)	–	–
Depreciation charge	(3)	(649)	(234)	(4)	890	–
Disposals	(170,110)	(934,438)	(573,341)	(413,194)	–	(2,091,083)
At 30 June 2018	1,172	1,439	3,502	10,559	160	16,832
<i>Net book value</i>						
At 1 January 2018	4,924,164	15,263,934	11,239,254	3,396,168	2,444,299	37,267,819
At 30 June 2018	4,763,921	14,855,079	10,821,002	3,361,366	4,744,292	38,545,660
<i>Cost/Deemed cost</i>						
At 1 January 2019	8,456,305	37,210,830	20,754,031	10,349,003	3,770,563	80,540,732
Reclassification between groups	(7,340)	(2,813)	(410)	10,563	–	–
Additions	–	–	–	–	1,700,794	1,700,794
Transfer	91,924	716,503	463,534	191,335	(1,463,296)	–
Disposals	(1,375)	(3,065)	(1,783)	(10,956)	(10,888)	(28,067)
At 30 June 2019	8,539,514	37,921,455	21,215,372	10,539,945	3,997,173	82,213,459
<i>Accumulated depreciation and impairment</i>						
At 1 January 2019	(3,514,199)	(20,910,040)	(9,326,267)	(6,294,532)	(48,150)	(40,093,188)
Reclassification between groups	(2,114)	2,005	410	(301)	–	–
Transfer of impairment losses upon commissioning assets into operation	(46)	(250)	(109)	(40)	445	–
Depreciation charge	(176,278)	(954,623)	(581,980)	(446,405)	–	(2,159,286)
Disposals	940	2,647	954	10,440	141	15,122
At 30 June 2019	(3,691,697)	(21,860,261)	(9,906,992)	(6,730,838)	(47,564)	(42,237,352)
<i>Net book value</i>						
At 1 January 2019	4,942,106	16,300,790	11,427,764	4,054,471	3,722,413	40,447,544
At 30 June 2019	4,847,817	16,061,194	11,308,380	3,809,107	3,949,609	39,976,107

Capitalized interest for the three months ended 30 June 2019 amounted to RUB 35,677 thousand (for the three month ended 30 June 2018: RUB 21,885 thousand), with capitalization rate of 7.08% - 7.92% (for 2018: 6.0% - 6.8%).

The cost of property, plant and equipment includes number of objects received under financial lease agreements (leasing) that will be transferred to the Group's ownership at the end of the lease term. As at 30 June 2019, the value of leased property, plant and equipment amounted to RUB 18,032 thousand (as at 01 January 2019: RUB 20,956 thousand).

14 Intangible assets

	Software	Certificates, licenses and patents	Other intangible assets	Total intangible assets
<i>Initial cost</i>				
At 1 January 2018	328,914	28,344	54,307	411,565
Additions	63,906	2,849	6,101	72,856
Disposals	(4,268)	–	–	(4,268)
At 30 June 2018	<u>388,552</u>	<u>31,193</u>	<u>60,408</u>	<u>480,153</u>
<i>Accumulated amortization and impairment</i>				
At 1 January 2018	(184,480)	(18,020)	(2,093)	(204,593)
Amortization charge	(51,100)	(3,426)	(170)	(54,696)
Disposals	4,133	–	–	4,133
At 30 June 2018	<u>(231,447)</u>	<u>(21,446)</u>	<u>(2,263)</u>	<u>(255,156)</u>
<i>Net book value</i>				
At 1 January 2018	<u>144,434</u>	<u>10,324</u>	<u>52,214</u>	<u>206,972</u>
At 30 June 2018	<u>157,105</u>	<u>9,747</u>	<u>58,145</u>	<u>224,997</u>
<i>Initial cost</i>				
At 1 January 2019	405,663	31,602	99,323	536,588
Additions	51,159	355	21,699	73,213
Disposals	(37,616)	(2,866)	–	(40,482)
At 30 June 2019	<u>419,206</u>	<u>29,091</u>	<u>121,022</u>	<u>569,319</u>
<i>Accumulated amortization and impairment</i>				
At 1 January 2019	(242,222)	(23,632)	(2,334)	(268,188)
Amortization charge	(58,874)	(3,683)	(2,090)	(64,647)
Disposals	37,051	2,858	–	39,909
At 30 June 2019	<u>(264,045)</u>	<u>(24,457)</u>	<u>(4,424)</u>	<u>(292,926)</u>
<i>Net book value</i>				
At 1 January 2019	<u>163,441</u>	<u>7,970</u>	<u>96,989</u>	<u>268,400</u>
At 30 June 2019	<u>155,161</u>	<u>4,634</u>	<u>116,598</u>	<u>276,393</u>

15 Right-of-use assets

	Land and buildings	Electricity transmis- sion networks	Equipment for electricity transmission	Other	Total
<i>Initial cost</i>					
At 1 January 2019	647,210	40,031	12,490	3,007	702,738
Additions	5,182	45,070	1,024	1,814	53,090
Changes in lease terms	(17,694)	147	(3,647)	354	(20,840)
Disposal or termination of lease	(20,387)	–	–	–	(20,387)
At 30 June 2019	<u>614,311</u>	<u>85,248</u>	<u>9,867</u>	<u>5,175</u>	<u>714,601</u>
<i>Accumulated amortization and impairment</i>					
At 1 January 2019	–	–	–	–	–
Amortization charge	(48,909)	(6,865)	(991)	(348)	(57,113)
Disposal or termination of lease	625	–	–	–	625
At 30 June 2019	<u>(48,284)</u>	<u>(6,865)</u>	<u>(991)</u>	<u>(348)</u>	<u>(56,488)</u>
<i>Net book value</i>					
At 1 January 2019	<u>647,210</u>	<u>40,031</u>	<u>12,490</u>	<u>3,007</u>	<u>702,738</u>
At 30 June 2019	<u>566,027</u>	<u>78,383</u>	<u>8,876</u>	<u>4,827</u>	<u>658,113</u>

16 Financial investments

	30 June 2019	31 December 2018
<i>Non-current</i>		
Financial assets at fair value through other comprehensive income	13,312	10,401
Financial assets at amortized cost	514,776	494,818
	528,088	505,219

Financial assets at fair value through other comprehensive income include shares of PJSC "TGC-1" and JSC "FGC UES", as well as other securities, the fair value of which amounted to RUB 13,312 thousand as at 30 June 2019 (RUB 10,401 thousand as at 31 December 2018). At the end of each reporting period, the fair value of the shares of PJSC "TGC-1" and JSC "FGC UES" was determined using market quotes (level 1 inputs), fair value of other securities was estimated without the use of observable market data (unobservable inputs – level 3).

For the six months ended 30 June 2019 the decrease in the fair value of investments at fair value through other comprehensive income of RUB 2,911 thousand was recognized in other comprehensive income (for the six months ended 30 June 2018: RUB 579 thousand).

As at 30 June 2019 financial assets at amortised cost are represented by deposits placed in OJSC "Bank Tavrichesky" ("The Bank") of RUB 2,080,000 thousand at the rate of 0.51% per annum with maturity on 12 April 2035 (as at 31 December 2018: RUB 2,080,000 thousand).

At the beginning of 2015 to the Bank Tavrichesky was initiated bailouts process. Major creditors of the Bank: PJSC "Lenenergo" and PJSC "IDGC of North-West" as agreed to participate in the reorganization and financial rehabilitation of the Bank, providing co-funding as referred to below. ASV allocated 28 billion roubles received from the bank of Russia with maturity of 10 years to facilitate the Bank financial restructuring. In accordance with the plan of restructuring part of JSC "IDGC of North-West" deposit (including accrued interest for the use of the deposit) in the Bank was replaced with a 20 years subordinated deposit of 2,080,000 thousands roubles with an interest payable on a quarterly basis at a rate of 0.51% per annum.

Currently, the Bank operates on a routine basis, providing a full range of services to the customers, including settlements and payments on a timely basis.

Financial assets at amortized cost as at 30 June 2019 and 31 December 2018 are Bank deposits with an initial maturity of more than three months:

	Interest rate	30 June 2019	31 December 2018
Bank	0.51%	514,776	494,818

17 Trade and other receivables

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current trade and other accounts receivable		
Trade receivables	4,649	6,858
Other receivables	157,554	3,410
	<u>162,203</u>	<u>10,268</u>
Current trade and other accounts receivable		
Trade receivables	12,932,082	14,525,061
Allowance for expected credit loss on trade receivables	(7,764,342)	(7,772,528)
Other receivables	1,144,041	1,133,268
Allowance for expected credit loss on other receivables	(677,759)	(695,723)
	<u>5,634,022</u>	<u>7,190,078</u>

Balances with related parties are disclosed in Note 23.

18 Advances given and other assets

	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current		
Advances given	7,997	7,972
VAT on advances from customers and clients	320,618	142,151
	<u>328,615</u>	<u>150,123</u>
Current		
Advances given	207,355	144,172
Advances given impairment provision	(12,522)	(12,525)
VAT recoverable	51,736	218,743
VAT on advances from customers VAT on advances given for acquisition of fixed assets	376,406	582,725
Prepaid taxes, other than income tax	16,465	16,772
	<u>639,440</u>	<u>949,887</u>

Information about balances with related parties is disclosed in Note 23.

19 Cash and cash equivalents

	30 June 2019	31 December 2018
Cash at bank and in hand	717,678	151,123
	<u>717,678</u>	<u>151,123</u>

	Rating	Rating agency	30 June 2019	31 December 2018
JSC "AB "Rossiya"	ruAA	Expert RA	204	107,697
PJSC "ROSBANK"	ruAAA	Expert RA	16,687	8,883
JSC "ALFA-BANK"	ruAA	Expert RA	47	7
Federal Treasury *	-	-	2,212	3,882
JSC "Gazprombank" *	ruAA+	Expert RA	662,268	7,031
PJSC "VTB Bank" *	ruAAA	Expert RA	5,504	6,083
PJSC "Sberbank of Russia" *	AAA(RU)	Analytical Credit Rating Agency	29,385	15,728
Cash in hand			1,371	1,812
			<u>717,678</u>	<u>151,123</u>

*Government-related banks

20 Share capital

	Ordinary shares	
	30 June 2019	31 December 2018
Par value (RUB)	0.1	0.1
On issue at 1 January	95,785,923,138	95,785,923,138
On issue at end of period, fully paid	<u>95,785,923,138</u>	<u>95,785,923,138</u>

Reserve related to business combination

The Group was formed in 2008 as a result of combination of a number of businesses under common control. The carrying value of the net assets of the businesses contributed were determined based on as amounts recorded in the IFRS financial statements of the predecessor, rather than the fair values of those net assets. The difference between the value of the share capital issued and the IFRS carrying values of the contributed net assets and non-controlling interests was recorded as a common control combination reserve within equity.

Dividends

At the end of 2018, the amount of declared dividends amounted to RUB 381,707 thousand (at the end of 2017, dividends were not declared).

As at 30 June 2019, there are no unclaimed dividends that have been restored to the retained earnings of previous years due to the expiration of the limitation period for the payment of dividends (as at 30 June 2018: 1,083 thousand rubles).

21 Earnings per share

The calculation of basic earnings per share for the three and six month ended 30 June 2019 and 2018 is presented below.

The Company has no dilutive financial instruments.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Ordinary shares at 1 January	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Weighted average number of shares for the period ended 30 June	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Weighted average number of ordinary shares outstanding, for the period ended 30 June (shares)	95,785,923,138	95,785,923,138	95,785,923,138	95,785,923,138
Earnings for the period attributable to holders of ordinary shares	119,730	242,418	1,288,144	1,180,420
Earnings per ordinary share (in RUB) – basic and diluted	0.0012	0.0025	0.0134	0.0123

22 Loans and borrowings

	30 June 2019	31 December 2018
<i>Non-current liabilities</i>		
Unsecured loans and borrowings	11,000,000	12,000,000
Lease liabilities	731,491	22,335
Less: current portion of long-term finance lease liabilities	(215,223)	(5,000)
Less: current portion of long-term loans and borrowings	(2,500,000)	(3,500,000)
	9,016,268	8,517,335
<i>Current liabilities</i>		
Unsecured loans and borrowings	4,079,402	3,521,929
Current portion of long-term lease liabilities	215,223	5,000
Current portion of long-term loans and borrowings	2,500,000	3,500,000
	6,794,625	7,026,929
<i>Including:</i>		
Interests payable on loans and borrowings	25,101	28,890
	25,101	28,890

As at 30 June 2019 and 31 December 2018 all balances of loans and borrowings are denominated in rubles.

22 Loans and borrowings (continued)

The Group raised the following bank loans during the 6 months ended 30 June 2019:

	Year of maturity	Effective interest rate	Carrying value
Unsecured bank loans *	2021-2022	7.75% - 9.15%	1,500,000
Unsecured bank loans	2019	7.95%	484,700
Unsecured bank loans *	2019	8.87% - 9.6%	3,346,979
Unsecured bank loans *	2019-2022	8.25% - 9.18%	4,757,441
			10,089,120

*Loans and borrowings received from state-related companies

The Group repaid the following significant bank facilities during the six months ended 30 June 2019 (including prematurely for RUB 7,327,859 thousand):

	Amount
Loans and borrowings received from state-related companies	9,223,159
Other loans and borrowings	1,304,700
	10,527,859

23 Trade and other payables

	30 June 2019	31 December 2018
<i>Non-current accounts payable</i>		
Other payables	265,876	246,687
Total financial liabilities	265,876	246,687
<i>Current accounts payable</i>		
Trade payables	3,402,029	5,019,265
Other payables and accrued expenses	204,971	583,716
Dividends payable	388,277	6,599
Total financial liabilities	3,995,277	5,609,580
Payables to employees	1,143,105	1,089,938
	5,138,382	6,699,518
<i>Taxes payable</i>		
Value-added tax	845,435	588,920
Property tax	94,969	157,555
Social security contributions	232,274	216,863
Other taxes payable	87,848	103,395
	1,260,526	1,066,733
	6,398,908	7,766,251

24 Advances from customers

	30 June 2019	31 December 2018
Advances for connection services	1,889,085	757,928
Other payables	166,560	137,002
Total non-current advances from customers	2,055,645	894,930
Advances for connection services	2,124,492	3,456,146
Other payables	310,842	349,137
Total current advances from customers	2,435,334	3,805,283

As at 30 June 2019 and 31 December 2018 advances received are reflected including VAT.

25 Financial risk and capital management

The Group's financial risk and capital management objectives and policies and the assumptions made in measuring fair values are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2018.

The fair values and carrying amounts of financial assets and liabilities are as follows:

	Note	30 June 2019		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets at fair value through other comprehensive income	15	13,312	13,312	12,012	–	1,300
Financial assets at amortised cost	15	514,776	854,882	–	–	854,882
Current and non-current loans and borrowings	22	(15,810,893)	(15,327,242)	–	–	(15,327,242)
		(15,282,805)	(14,459,048)	12,012	–	(14,471,060)
	Note	31 December 2018		Level of fair value hierarchy		
		Carrying amount	Fair value	1	2	3
Financial assets measured at fair value through other comprehensive income	15	10,401	10,401	9,101	–	1,300
Financial assets measured amortised cost	15	494,818	786,323	–	–	786,323
Current and non-current loans and borrowings	22	(15,544,264)	(15,033,562)	–	–	(15,033,562)
		(15,039,045)	(14,236,838)	9,101	–	(14,245,939)

25 Financial risk and capital management (continued)

The interest rate used to discount the expected future cash flows for long-term and short-term loans and borrowings for the purpose of determining the fair value disclosed as at 30 June 2019 was 9.83% (as at 31 December 2018: 9.27%).

During three months ended 30 June 2019 there were no transfers between the levels of the fair value hierarchy.

The reconciliation of financial assets measured at fair value through other comprehensive income as at the beginning and end of period is presented below (the Group has no financial assets measured fair value through profit or loss):

	Financial assets measured at fair value through other comprehensive income
As at 1 January 2019	10,401
Change in fair value recognized through other comprehensive income	2,911
As at 30 June 2019	13,312

As at 30 June 2019, the available limit on the Group's open but unused credit lines amounted to RUB 26,305,699 thousand (31 December 2018: RUB 18,680,086 thousand). The Group is able to raise additional funding within the respective limits, including those to be used to enable performance of its current obligations.

26 Capital commitments

As at 30 June 2019 the Group has outstanding commitments under contracts for the purchase and construction of property plant and equipment items for RUB 4,165,190 thousand, including VAT (as at 31 December 2018: RUB 4,638,874 thousand, including VAT).

27 Contingencies

(a) Insurance

The Group has unified requirements in respect of the volume of insurance coverage reliability of insurance companies and about procedures of insurance protection organization. The Group maintains insurance of assets civil liability and other insurable risks. The main business assets of the Group have insurance coverage including coverage in case of damage or loss of assets. However, there are risks of negative impact on the operations and financial position of the Group in the case of damage caused to third parties and also as a result of damage or loss of assets insurance protection of which is non-existent or not fully implemented.

(b) Taxation contingencies

The current taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation official pronouncements and court decisions which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines penalties and interest charges. A tax year remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

27 Contingencies (continued)

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines but creating additional uncertainty in practical application of tax legislation in certain circumstances.

Currently there is lack of practice of applying the transfer pricing rules by the tax authorities and courts however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

In connection with court proceedings on additional tax on property by the decision of MIFNS Russia №4 on-site tax audit for 2013-2015 (reclassification of movable property in real estate) management does not exclude the risk of being obliged to pay additional tax on property for the six months ended 30 June 2019 in the amount of RUB 157,528 thousand.

In the opinion of management, the relevant provisions of the legislation have been interpreted correctly and the Group's position in terms of tax compliance can be justified and protected.

(c) Legal proceedings

The Group is party to a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated financial statements.

(d) Environmental matters

The Group has been operating in the electric transmission industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is being reconsidered. Potential liabilities arising as a result of a change in interpretation of existing regulations civil litigation or changes in legislation cannot be estimated. Under existing legislation management believes that there are no probable liabilities which will have a material adverse effect on the Group's financial position results of operations or cash flows.

28 Related party transactions

(a) Control relationships

Related parties are shareholders affiliates and entities under common ownership and control of the Group members of the Board of Directors and key management personnel of the Company. The Company's parent as at 30 June 2019 and 31 December 2018 was PJSC ROSSETI. The ultimate controlling party is the state represented by the Federal Property Management Agency, which held majority of the voting rights of PJSC "ROSSETI".

28 Related party transactions (continued)

(b) Transactions with the parent its subsidiaries and associates

Transactions with the parent, its subsidiaries and associates include transactions with PJSC "ROSSETI" its subsidiaries and associates:

	Amount of transaction				Carrying amount	
	Three months ended		Six months ended		30 June 2019	31 December 2018
	30 June 2019	2018	2019	2018		
Revenue, Net other income, Finance income						
The parent company						
Other revenue	307	307	615	615	–	–
Entities under common control of the parent company						
Sales of electricity	55	248	98	276	–	–
Other revenue	35,192	2,169	35,417	4,199	88,507	54,313
Other operating income	–	2,150	27,239	2,150	32,976	718
	35,554	4,874	63,384	7,240	121,483	55,031

	Amount of transaction				Carrying amount	
	Three months ended		Six months ended		30 June 2019	31 December 2018
	30 June 2019	2018	2019	2018		
Operating expenses, Finance costs						
The parent company						
Consulting legal and audit services	30,160	31,196	59,410	60,023	19,826	23,079
Other production works and services	7,104	7,104	14,207	14,207	–	–
Entities under common control of the parent company						
Electricity for sale	1,274	14,948	2,983	25,380	–	–
Electricity transmission services	1,832,098	1,866,985	3,719,982	3,781,854	590,874	635,715
Technological connection services	15	–	15	605	18	10
Repair and maintenance services	652	–	652	–	–	–
Rent	152	206	367	394	1,106	257
Reserves	1,246	–	1,246	–	128,049	150,659
Other expenses	8,170	12,732	17,495	23,876	18,694	31,177
	1,880,871	1,933,171	3,816,357	3,906,339	758,567	840,897

	30 June 2019	31 December 2018
Entities under common control of the parent company		
Advances given	17,355	14,232
Advances received	2,384	2,436
	19,739	16,668

28 Related party transactions (continued)

The amount of dividends attributable to the parent company accrued to payment for the year ended 31 December 2018 amounted to RUB 211,391 thousand (there were no dividends attributable to the parent company accrued for the year ended 31 December 2017). As at 30 June 2019, the liability to the parent company for the payment of dividends amounted to RUB 211,391 thousand (as at 31 December 2018, there is no debt to the parent company for the payment of dividends).

(c) Transactions with key management personnel

In order to prepare these consolidated financial statements the key management personnel are members of the Management Board and the Board of Directors.

The Group has no transactions with key management personnel and close family members except their remuneration in the form of salary and bonuses.

The amounts of key management personnel remuneration disclosed in the table are recognized as an expense related to key management personnel during the reporting period and included in personnel costs.

	Three month ended 30 June		Six month ended 30 June	
	2019	2018	2019	2018
Short-term remuneration for employees	28,659	23,780	58,461	65,007
Post employment benefits and other long-term benefits	482	604	964	1,208
	29,141	24,384	59,425	66,215

As at 30 June 2019, the carrying value of defined benefit plan, defined contribution plan and other post-employment benefit plans reported in the consolidated statement of financial position includes liabilities related to the key management personnel for RUB 20,770 thousand (31 December 2018: RUB 18,074 thousand).

(d) Transactions with government-related entities

In the course of its operating activities the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices.

Revenues from government-related entities for the three and six month ended 30 June 2019 constitute 18.73% and 20.37% (for the three and six month ended 30 June 2018: 22.07% и 16.82%) of total Group revenues including 15.32% and 16.65% (for the three and six month ended 30 June 2018: 7% и 8.24%) of electricity transmission revenues.

Electricity transmission costs (including compensation of technological losses) for government-related entities for the three and six month ended 30 June 2019 constitute 73.13% и 68.41% (for the three and six month ended 30 June 2018: 56.32% and 53.73%) of total electricity transmission costs.

Interest accrued on loans and borrowings from state-related banks for the three and six month ended 30 June 2019 amounted to 85% и 86% (for the three and six month ended 30 June 2018: 82% и 80%) of total interest accrued.

As at 30 June 2019 cash and cash equivalents held in government-related banks amounted to RUB 699,369 thousand (as at 31 December 2018: RUB 32,724 thousand).

Loans and borrowings received from government-related banks are disclosed in Note 22.